

D-6

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Land Division  
Honolulu, Hawaii 96813

October 27, 2006

Board of Land and Natural Resources  
State of Hawaii  
Honolulu, Hawaii

Oahu

Consent to Assign General Lease No. S-5713, Hui Ku Maoli Ola  
LLP, Assignor, to Burke Dunlap, Assignee, Waimanalo,  
Koolaupoko, Oahu, Tax Map Key: 4-1-10:026.

APPLICANT:

Hui Ku Maoli Ola LLP, as Assignor, to Burke Dunlap, whose  
business mailing address is P.O. Box 30, Waimanalo, Hawaii 96795,  
as Assignee.

LEGAL REFERENCE:

Section 171-36(a)(5), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of Waimanalo, Koolaupoko, Oahu  
identified by Tax Map Key: 4-1-10:026, as shown on the attached  
map labeled Exhibit A.

AREA:

11.745 acres, more or less.

TRUST LAND STATUS:

Section 5(B) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State  
Constitution: YES \_\_\_\_\_ NO   X  

CHARACTER OF USE:

Intensive agriculture.

TERM OF LEASE:

Thirty (30) years, commencing on October 15, 2004 and expiring on  
October 14, 2034. The next rental re-opening is scheduled for  
October 15, 2014.

ANNUAL RENTAL:

\$6,000.00

CONSIDERATION:

\$ 10,000.00

RECOMMENDED PREMIUM:

\$ 5,000.00 (Refer to Exhibit "C" attached)

DCCA VERIFICATION:

ASSIGNOR:

Hui Ku Maoli Ola LLP:

Place of business registration confirmed: YES

Registered business name confirmed: YES

Good standing confirmed: YES

ASSIGNEE:

Burke Dunlap:

Not applicable because Assignee is an individual and as such is not required to register with DCCA.

REMARKS:

Parcel 26 is a portion of the Government land in Waimanalo consisting of 11.745 acres. Half of the area is useable rocky land and the remainder has been used for cultivating bananas by prior tenants of the Land Division.

It is currently leased to Hui Ku Maoli Ola, LLP under General Lease No. S-5713. Hui Ku Maoli Ola, LLP is a nursery operation concentrating in the cultivation and sale of native Hawaiian plants. General Lease No. S-5713 has a term of thirty (30) years beginning on October 15, 2004 and terminating on October 14, 2034. The authorized use of the site is intensive agriculture. The rental for the first ten years is \$6,000.00, with rental re-openings at the tenth (10th) and twentieth (20th) years of the term.

Aside from cleaning up the parcel, Hui Ku Maoli Ola LLP has not utilized the parcel for their nursery operations. This is because shortly after acquiring the lease, they had an opportunity to acquire a leasehold in Kaneohe which is more conducive to their type of plant cultivation. They are currently operating their nursery out of this Kaneohe site and cannot

economically hold on to two leaseholds at the same time. They are now experiencing severe economic hardship with their maintenance of the Waimanalo leasehold and want to assign it to Burke Dunlap.

Burke Dunlap has been in the landscape nursery business for twenty-eight years. He currently holds another State lease in Waimanalo recorded as General Lease No. S-5496 under Progressive Landscaping, Inc., identified as Tax Map Key 4-1-10:081. Burke Dunlap is the President and owner of Progressive Landscaping Inc.

Mr. Dunlap also rents eleven acres in Kapolei, Oahu under Kapolei Nursery and Gardening Inc. of which he is the President and owner, on a month-to-month basis, from Campbell Estate. He grows landscape ground cover, shrubs, palms and small trees at this Kapolei lot. Recently, Campbell Estate informed him of their plans to develop this Kapolei site into a residential tract and have requested that Mr. Dunlap relocate to another site.

Although he has a State lease in Waimanalo from the Department of Land and Natural Resources (GL S-5496 issued to Progressive Landscaping Inc.), he is only able to use two acres of it due to the hilly and rocky topography and has an urgent need to acquire an additional site to move his Kapolei nursery operation consisting of eleven acres.

Burke Dunlap is current on all requirements with General Lease No. S-5496. Also, Mr. Dunlap has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

Burke Dunlap graduated from the University of California, Berkeley in 1979 with a Bachelor of Arts degree in Landscape Architecture with honors. Soon after graduation, he began a landscape nursery operation under the name of Progressive Landscaping Inc. on 2.2 acres of land in Waimanalo that he and his wife own in fee simple.

The area in Waimanalo, under lease to Hui Ku Maoli Ola LLP (General lease No. S-5713), that Mr. Dunlap would like to acquire has 11.745 acres which can be utilized. He has submitted a business plan, attached as Exhibit "B", which alots 5.25 acres for ground cover plants, 2.75 acres for heliconias, ginger, crotons, hibiscus and mock orange shrubs and 3.75 acres for palm shrubs.

Mr. Dunlap's intent is to relocate his nursery and landscaping operation from Kapolei to the Hui Ku Maoli Ola LLP lot in Waimanalo, leased under General Lease No. S-5713. As mentioned above, the current Waimanalo lease that he has, General Lease No. S-5496, has only two useable acres and he needs to relocate to an area that has at least eleven useable acres.

Staff canvassed some of the farmers in Waimanalo on Mr. Dunlap's agricultural qualifications and his reputation as a farmer, by all accounts, is excellent.

Our research shows that the current lessee, Hui Ku Maoli Ola LLP, is current in its rent, liability insurance and performance bond requirements and Land Division has no outstanding issues involving this lease. The current rent is \$6,000.00 per year and the next rental re-opening will take place on October 15, 2014.

The current lessee has not obtained an approved conservation plan from the Windward Soil and Water Conservation District. However, staff is working with a number of lessees state-wide that do not have approved conservation plans, or whose plan is older than five years, the ordinary term. Gradually, these lessees are obtaining the approved conservation plans. Upon the assignment of this lease, Staff will work with Mr. Dunlap on this lease requirement.

Staff has no other issues or concerns with the current lessee or the applicant on this lease assignment. The applicant appears to be well qualified and the lease would satisfy his need for a long-term leasehold consisting of 11.745 acres to operate from.

Pursuant to the lease assignment provision in General Lease No. S-5713 and the Assignment of Lease Evaluation Policy attached as Exhibit "C" to the lease, our Staff Appraiser has determined that a lease assignment premium of \$5,000.00 is due.

Staff respectfully requests Board approval for the assignment of General Lease No. S-5713 from Hui Ku Maoli Ola LLP to Burke Dunlap.

RECOMMENDATION:

That the Board consent to the assignment of General Lease No. S-5713 from Hui Ku Maoli Ola LLP, as Assignor, to Burke Dunlap, as Assignee, subject to the following:

1. A lease assignment premium of \$5,000.00 be made by Hui Ku Maoli Ola LLP to the Department of Land and Natural Resources;
2. The standard terms and conditions of the most current consent to assignment form, as may be amended from time to time;
3. Review and approval by the Department of the Attorney General; and

October 27, 2006

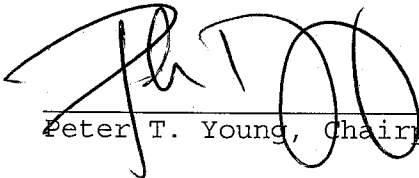
4. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

*Cecil Santos*

Cecil Santos  
Oahu District Land Agent

APPROVED FOR SUBMITTAL:

  
\_\_\_\_\_  
Peter T. Young, Chairperson

ZONE 4 SEC. 2



191. D

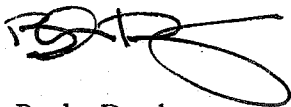
Re: Business Plan for the Property at Kakaina Street.

My background in owning and operating a landscape plant nursery has spanned twenty-six years since graduating from the University of California, Berkeley in 1979 with a Bachelor of Arts degree in Landscape Architecture with honors.

After graduating in 1979, I began a landscape nursery which I have opened on 2.2 Acres of land which my wife and I own in fee simple. Over the past fifteen years, we have expanded our operation . We now lease about 4.5 Acres in Waimanalo where we grow landscape ground covers, shrubs, palm and small trees. We also lease about 11 Acres in Kapolei from Campbell Estate where we grow trees and palms. On both properties we are given only a month to month lease. The land which we lease from Campbell Estate will be developed for residential homes. It is called Makaiwa Properties. We have been told that we would have to move all of the palms and trees off of the property within two years. Consequently, we are in desperate need of land in which to move our trees and palms from the Kapolei Nursery site.

Consequently, we are hoping to obtain a more stable lease from the state of Hawaii. We will supply evidence of the success of our nursery operations with our year end reconciliation of General Excise Tax Statement for the year 2005. If additional information is required, we will gladly supply it to you.

Sincerely,



Burke Dunlap  
President

**EXHIBIT "B"**

Our projected yearly level of production on this twelve acre property, with about seven acres of gently sloping land that is usable and five acres of steeply sloping land can be summarized as follows:

	CROP	ACRE	VALUE /YEAR
1.	Mondo	1.00	\$25,000.00
2.	Dwarf Mondo	.50	\$10,000.00
3.	Lauae Fern	2.00	\$45,000.00
4.	Agapanthus	.25	\$ 8,000.00
5.	Green Liriope	.50	\$ 6,000.00
6.	Variegated Liriope	1.00	\$12,000.00
7.	Heliconias	.75	\$ 5,000.00
8.	Red, Pink, and White Ginger	1.00	\$ 6,000.00
9.	Crotons	.25	\$ 2,500.00
10.	Hibiscus	.50	\$ 5,000.00
11.	Mock Orange and Privet	.25	\$ 2,000.00
12.	Areca Palm	.50	\$12,000.00
13.	Mac Arthur Palm	.50	\$ 7,000.00
14.	Manila Palm	.25	\$ 4,000.00
15.	Joannis Palm	.50	\$ 5,000.00
16.	Rhapis Palm	1.00	\$ 7,000.00
17.	Sealing Wax Palm	1.00	\$ 3,000.00

Total Income for Second Year

\$ 164,500.00

Our first year will be spent preparing the land to install an automatic irrigation system and open level areas to put the potted ground covers, shrubs, and palms on the cleared gravel areas. We will be able to support the needed improvement cost through our on going nursery and landscape contracting operations.

I have been a Landscape Contractor since 1982. We currently gross \$1,950,000.00 per year as a contractor and \$ 760,000.00 per year in our nursery operations, as seen by the reconciliation of our General Excise Statement for the year 2005. If you need a personal and corporation financial statement, we can mail that directly to you.

The following is a summary of the cost to prepare the property for the landscape plant nursery.

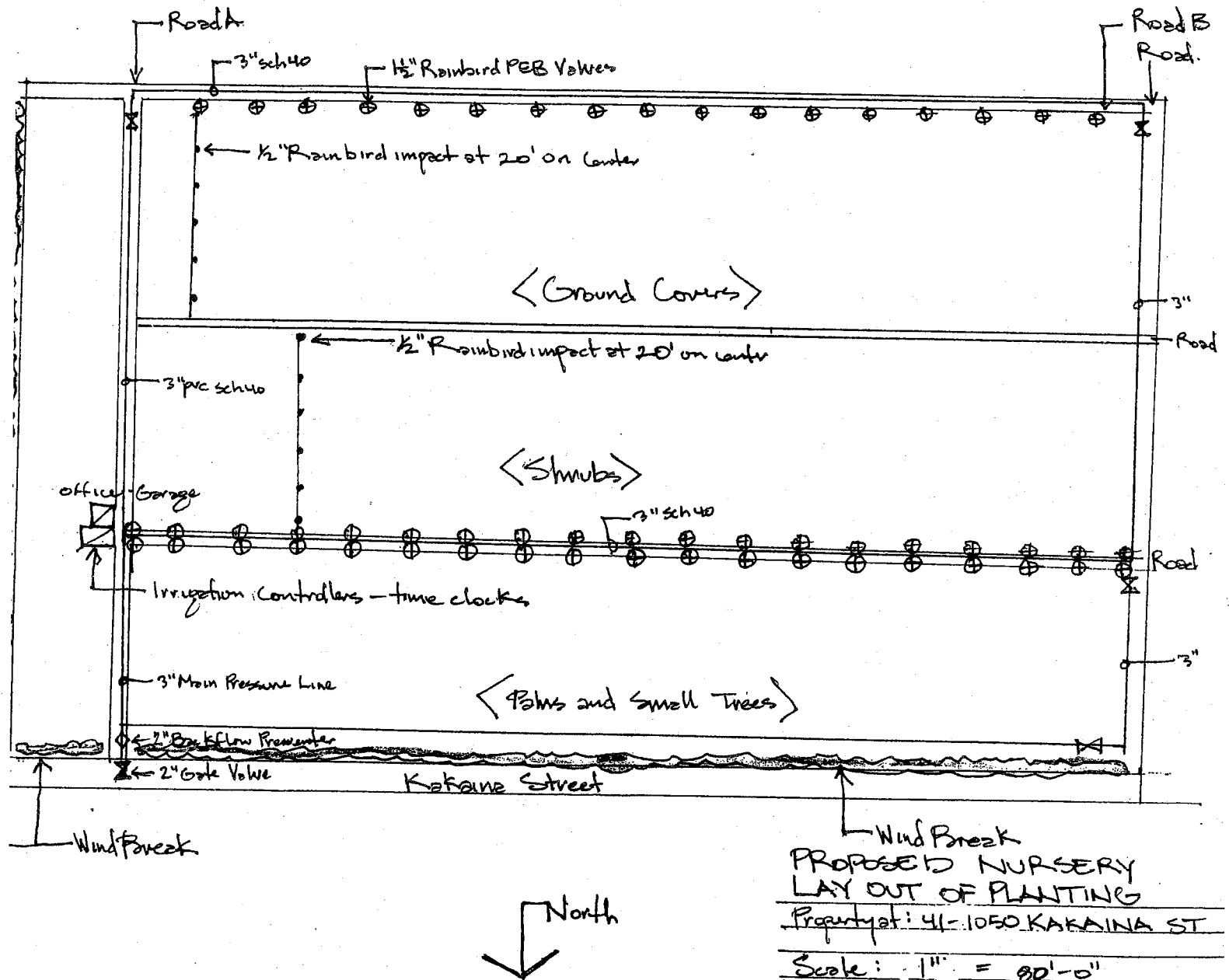
1. Clear 5 acres of existing brush and trees with Bulldozer and Excavator \$ 30,000.00
2. Install automatic irrigation for 5 acres of the land \$ 31,000.00
3. Provide wind break and erosion control plan prepared by the soil conservation service. \$ 2,000.00
4. Install gravel and cover clothe to protect the soil from erosion \$ 19,000.00
5. Purchase the soil, soil amendments, pots (1 gallon, 3 gallon, and 15 gal pots) fertilizer to grow the plants in. \$ 16,000.00
6. Labor to pot up plants and maintain them \$ 28,000.00

Total output for the first and second year

**EXHIBIT "B"**

\$126,000.00





Wind Break  
PROPOSED NURSERY  
LAY OUT OF PLANTING  
Property at: 41-1050 KAKAINA ST  
Scale: 1" = 80'-0"

EXHIBIT "B"

## ASSIGNMENT OF LEASE EVALUATION POLICY

### 1. Enabling Statute.

Act 104, effective May 24, 1989, amended Chapter 171-36(a)(5) to read in part:

"... provided further that prior to the approval of any assignment of lease, the board shall have the right to review and approve the consideration to be paid by the assignee and may condition its consent to the assignment of the lease on payment by the lessee of a premium based on the amount by which the consideration for the assignment, whether by cash, credit, or otherwise, exceeds the depreciated cost of improvements and trade fixtures being transferred to the assignee;" (revision underlined)

### 2. Qualifying Leases.

This policy shall be applicable to the subject lease.

### 3. Prior Approval.

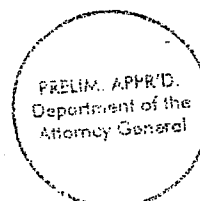
Prior to giving its consent to an assignment, DLNR must receive (i) the name, legal composition and address of any proposed assignee, (ii) a complete copy of the purchase agreement and the proposed assignment agreement, including the total consideration to be paid by the assignee for the assignment whether by cash, credit or otherwise, and (iii) the best available financial statement or balance sheet no older than 1 year prior to date of purchase agreement of the proposed assignee or any other such statement, audited or certified as correct by a financial officer of the proposed assignee.

Assignments of lease shall not be entered into until the Attorney General has reviewed the proposed assignment and the Land Board have given their approval. Such assignments shall be entertained only if they meet the criteria set forth in Section 171-36(a)(5), HRS.

### 4. Qualifications of Assignee.

If qualification was required of a lessee as a pre-condition of the lease, the prospective assignee must also be qualified to assume the lease.

EXHIBIT "C"



5. Consideration to be Paid.

Prior to review by the Attorney General and approval by the Land Board, the lessee (assignor) must present with written evidence of the consideration to be paid by the assignee and any other cost data that the state may require.

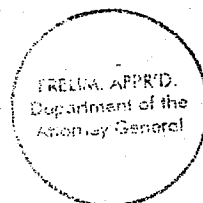
6. Payment of Premium.

The act permits the state to receive from the lessee (assignor) a premium based on the amount by which the consideration for the assignment, whether by cash, credit, or otherwise, exceeds the depreciated cost of improvements and trade fixtures being transferred to the assignee. The value of the inventory of merchandise and any other tangible assets in the sale of a business shall be deducted from the consideration paid. The appropriate cost index is then applied to determine the adjusted depreciated cost.

All lessees shall be required to furnish the state with the actual costs of construction of all improvements and renovations within 30 calendar days after its completion as well as the purchase costs of all trade fixtures acquired for the lessee's operation on the premises within 30 calendar days after their purchase. Lessees shall be required to furnish evidence of the actual costs by copy of the construction contract, receipts or otherwise. Lessees shall also be required to furnish an inventory of all personal property placed on the premises. Records of all costs incurred by the lessee for construction of improvements or renovations as well as trade fixtures submitted by the lessee shall be maintained in the lease file and shall include the Construction Cost Index for Apartments, Hotels, Office Buildings (CCI) and the Honolulu Consumer Price Index for All Urban Consumers (CPI) as published by the U.S. Department of Labor, Bureau of Labor Statistics for the year construction is completed.

The replacement cost for improvements or renovations is calculated by using the CCI for the evaluation year divided by the CCI for the year in which the improvements or renovations were completed (base year). The result is then multiplied by the original cost of the improvements or renovations. For trade fixtures, the cost is similarly calculated by using the CPI for the purchase year (base year) and the evaluation year.

Depreciation of improvements and trade fixtures will be determined on a straight line basis. Depreciation of improvements or renovations will be determined in the same proportion that the expired term of the improvements or renovations bear to the whole term. The whole term will be



from the date the construction of the improvements or renovations are completed until the termination date of the lease. Depreciation of trade fixtures will be determined in the same manner, except that the whole term will be the anticipated life of the trade fixture.

The premium will be a maximum of 50% of the excess. The percentage will decrease by 5% after every 5 years of the term has elapsed in accordance with Schedule C. The sliding scale will encourage long term occupancy and prevent speculation as well as recognize the investment, effort, and risk of the lessee.

In cases where the lessee is unable to furnish the Department of Land and Natural Resources with evidence of the actual cost of construction of improvements because the lessee has performed the work itself, the State may determine the cost or the lessee shall have the option of paying for an appraiser, to be selected by the Department of Land and Natural Resources, to determine what the improvements would have cost if the labor had been performed by a third party rather than the lessee. The lessee shall exercise its option by giving written notice to the lessor within thirty (30) calendar days after completion of construction of the improvements. If the lessee fails to exercise its option within this period, the lessor shall have the right to determine the cost of the improvements.

Schedule D attached provides a typical example of the evaluation calculations using Schedule A to calculate the replacement cost for improvements or renovations and depreciation, Schedule B to calculate the cost and depreciation for trade fixtures, and Schedule C to obtain the premium percentage.

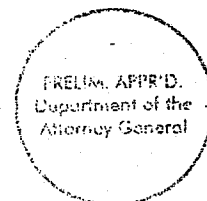
7. Non-qualifying Deductions.

The statute only recognizes tangible items. Intangibles such as "goodwill", business name recognition, etc., are not deductible.

8. Subsequent Assignments.

If the consideration for any subsequent assignment includes the purchase of existing tenant owned improvements, the evaluation will be conducted in a similar manner as the first assignment. An example is shown on Schedule E.

Using Schedule E, the consideration the assignor paid less included inventory and any premiums will be used to obtain the adjusted depreciated cost of improvements and trade fixtures. Also, the Base Year is redefined to be the date



the assignor received the Consent of the Board to occupy the premises. The holding period (redefined Base Year to assignment date), or actual occupancy of the assignor, is used in place of the "expired term" when calculating depreciation. Depreciation will be calculated by dividing the holding period by the whole term of the lease (The whole term will remain unchanged).

The change in the CCI will be reflected by comparing the CCI for the redefined base year to the most current CCI.

The holding period will be the basis for determining the appropriate premium percentage. Subtracting the included inventory and any premiums from the consideration the assignor paid will result in a reassessment of the market value of the improvements. If additional improvements were constructed by the assignor, they will be treated in the same manner as improvements constructed by an original lessee.

The excess of subtracting the adjusted depreciated consideration the assignor paid and the adjusted depreciated cost of additional improvements, if any, from the consideration the assignor received will be used against the appropriate premium percentage to determine the amount payable to the state.

9. Rights of Holders of Security Interest-Agricultural Leases only.

In the event of foreclosure or sale, the premium, if any, shall be assessed only after the encumbrances of record and any other advances made by the holder of a security interest are paid.

10. When state-owned improvements are included in the leased premises, improvement renovation requirements shall be recognized as being tenant-owned improvements for evaluation in the policy.

In other words, the total expenditure of the lessee to fulfill the requirement would be treated as though a new improvement was constructed.



SCHEDULE A.      Adjusted Depreciated Cost of Improvements or Renovations

1.    Adjusted Cost of Improvements or Renovations.

Multiply the actual cost of the improvements or renovations by the most recent U.S. Construction Cost Index for Apartments, Hotels, Office Buildings (CCI)\* and divide the result by the CCI of the year construction was completed (base year) to get the adjusted cost of improvements or renovations.

2.    Depreciation

Determine the depreciation percentage on a straight-line basis by dividing the expired term of the improvements or renovations by the whole term of the improvements or renovations, the whole term beginning on the date the improvements or renovations are completed to the expiration date of the lease. Multiply the adjusted cost of the improvements or renovations by the depreciation percentage to determine the depreciation.

3.    Depreciated Cost of Improvements or Renovations

Subtract the depreciation from the adjusted cost of improvements or renovations. The balance is the depreciated cost of improvements or renovations.

\*As published by the U.S. Department of Labor, Bureau of Labor Statistics

Example

	Actual cost:	\$500,000
	CCI (most recent):	121.1
	CCI (base year):	102.3
1.    Adjusted Cost of Improve-	Expired term:	57 mos.
ments or Renovations	Whole term:	408 mos.

Actual Cost X  $\frac{\text{CCI (most recent)}}{\text{CCI (base year)}}$

$$\$500,000 \times \frac{121.1}{102.3} = \$591,887$$

2.    Depreciation

$$\$591,887 \times \frac{57 \text{ mos.}}{408 \text{ mos.}} = \$82,690$$

3.    Adjusted Depreciated Cost of Improvements or Renovations

$$\$591,887 - \$82,690 = \underline{\$509,197}$$

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SCHEDULE B.      Adjusted Depreciated Cost of Trade Fixtures

1.    Adjusted Cost of Trade Fixture.

Multiply the actual cost of the trade fixture by the most recent Honolulu Consumer Price Index for All Urban Consumers (CPI)\* and divide the result by the CPI of the year in which the purchase was made (base year).

2.    Depreciation.

Determine the depreciation percentage on a straight-line basis by dividing the expired term of the trade fixture by its anticipated life. Multiply the adjusted cost of the trade fixture by the depreciation percentage to determine the depreciation.

3.    Depreciated Cost of Trade Fixtures.

Subtract the depreciation from the adjusted cost of the trade fixture. The balance is the depreciated cost of the trade fixture.

\*As published by the U.S. Department of Labor, Bureau of labor Statistics

Refrigerator

Example

	Actual cost:	\$1,510
	CPI (most recent):	118.1
	CPI (base year):	104.6
1.    Adjusted Cost of Trade	Expired term:	57 mos.
Fixture	Whole term:	96 mos.
	(Anticipated life)	

$$\text{Actual Cost} \times \frac{\text{CPI (most recent)}}{\text{CPI (base year)}}$$

$$\$1,510 \times \frac{118.1}{104.6} + \$1,705$$

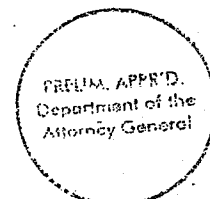
2.    Depreciation

$$\$1,705 \times \frac{57 \text{ mos.}}{96 \text{ mos.}} = \$1,012$$

3.    Adjusted Depreciated Cost of Trade Fixture

$$\$1,705 - \$1,012 = \$ 693$$

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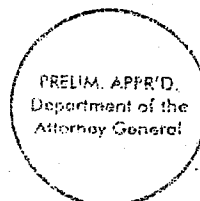
SCHEDULE C. Premium Percentages

1. For the first 5 years, the premium is 50% of the amount by which the consideration for the assignment, whether by cash, credit, or otherwise, exceeds the depreciated cost of improvements and trade fixtures being transferred to the assignee. The percentage will decrease by 5% after every 5 years of the total term has elapsed.

<u>Years</u>	<u>Percentage</u>
1 - 5	50%
6 - 10	45%
11 - 15	40%
16 - 20	35%
21 - 25	30%
26 - 30	25%
31 - 35	20%
36 - 40	15%
41 - 45	10%
46 - 50	5%
51 -	0%

As an example, if a 55 year lease was assigned after 57 months, the premium percentage would be 50%. If the assignment occurs after 130 months (10+ years), the percentage would be 40%.

2. The Board of Land and Natural Resources may impose a ten percent (10%) surcharge if the assignor has not performed lease covenants to improve or use the property.





SCHEDULE D.      Assignment of Lease Calculations

1. Subtract from the consideration for the assignment that amount, if any, that is attributable to inventory.
2. Calculate the Adjusted Depreciated Cost of Improvements or Renovations (see Schedule A).
3. Calculate the Adjusted Depreciated Cost of Trade Fixtures (see Schedule B).
4. Calculate the amount by which the consideration for the assignment, whether by cash, credit, or otherwise, exceeds the depreciated cost of improvements and trade fixtures being transferred to the assignee by subtracting the amounts derived by no. 2 and 3 from the amount in no. 1 above.
5. Determine the appropriate premium percentage (see Schedule C). Multiply by the excess, if any, derived by no. 4.

Example

A lease is being assigned 57 months after completion of the improvements at a consideration of \$600,000.

The initial cost of the improvements was \$500,000 while the current year CCI and base year CCI were 121.1 and 102.3, respectively. The whole term for the improvements is 408 months.

For the trade fixtures, the initial cost was \$1,510 with the current year CPI and base year CPI being 118.1 and 104.6, respectively. The total life expectancy is 96 months.

1.	Net Consideration:		\$600,000
2.	Adj Cost Imp/Ren:	\$591,887	
	Depreciation:	<u>- 82,690</u>	
	Adj Dep Cost Imp/Ren:		-509,197
3.	Adj Cost Trade Fixtures:	1,705	
	Depreciation:	<u>- 1,012</u>	
	Adj Dep Cost Trade Fixtures:		- 693
4.	Excess:		\$ 90,110
5.	Premium:	Percentage: 50%	\$ 45,055



SCHEDULE E.

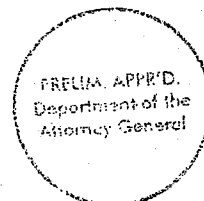
Subsequent Assignment of Lease Calculations

1. Subtract from the consideration the assignor received for the assignment that amount, if any, that is attributable to inventory to derive the net consideration received.
2. Subtract from the consideration the assignor previously paid for the assignment that amount, if any, that was attributable to inventory. Also, subtract from the consideration the assignor previously paid for the assignment that amount, if any, that was attributable to premiums. The net consideration paid is now defined to be the value of improvements as of the date of the occupancy by the assignor.
3. Using the result from no. 2, calculate the Adjusted Depreciated Value of Improvements or Renovations (see Schedule A).
4. Subtract the amount derived by no. 3 from the amount in no. 1 to determine the amount by which the consideration received for the assignment, whether by cash, credit, or otherwise, exceeds the adjusted depreciated value of improvements being transferred to the assignee.
5. Determine the appropriate premium percentage (see Schedule C). Multiply by the excess, if any, derived by no. 4.

Example

An assignor is assigning a lease 107 months after receiving the consent of the Board. Occupancy or the holding period is defined to be 107 months. The consideration received is \$1,000,000.

The consideration paid by the assignor was \$600,000 while the current year CCI and redefined base year CCI were 156.4 and 121.1, respectively. The whole term was 408 months.

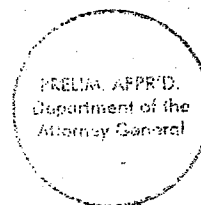


No inventory was included in either consideration. However, a premium of \$45,055 was paid to the state by the previous occupant from the \$600,000 consideration.

1. Net Consideration Received: \$1,000,000
  
2. Consideration Paid: \$600,000  
 Premium: - 45,055  
 Net Consideration Paid: \$554,945
  
3. Adj Value Consideration (improvements):  

$$\begin{array}{rcl} \$554,945 & \times & \frac{156.4}{121.1} \\ & & = \end{array}$$
\$716,708
  
- Depreciation:  

$$\begin{array}{rcl} \$716,708 & \times & \frac{107 \text{ mos.}}{408 \text{ mos.}} \\ & & = \end{array}$$
-187,960
  
- Adj Dep Value Consideration: - 528,748
  
4. Excess: \$ 471,252
  
5. Premium: Percentage: 45% \$ 212,063



LINDA LINGLE  
GOVERNOR OF HAWAII

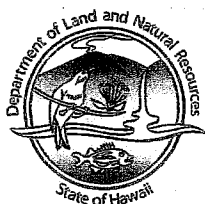


PETER T. YOUNG  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA  
DEPUTY DIRECTOR

DEAN NAKANO  
ACTING DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS



STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
LAND DIVISION

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

September 19, 2006

MEMORANDUM

TO: Peter T. Young, Chairperson  
THROUGH: Russell Y. Tsuji, Land Division Administrator  
FROM: Cyrus C. Chen, Real Estate Appraisal Manager  
SUBJECT: Assignment Premium Calculation

GL No.: S-5713  
Lessee/Assignor: Hui Ku Maoli Ola  
Assignee: Burke Dunlap  
Location: Waimanalo, Oahu, Hawaii  
Lease Area: 11.745 acres  
Tax Map Key: (1) 4-1-10: 26

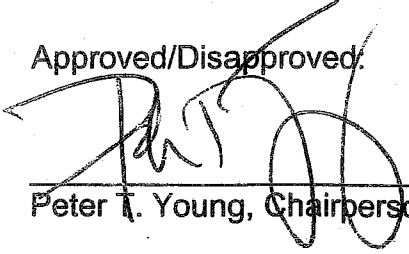
We have been requested to provide an in-house evaluation for the assignment premium due to the State for an assignment of GL S-5713. The lease is subject to the Assignment of Lease Evaluation Policy. The subject property is currently unimproved so we have assigned a value of \$0 for the improvements.

Net Consideration	\$10,000
LESS Adjusted Improvement Cost	
Adjusted Improvements Costs	\$0
Depreciation	\$0
Adjusted Cost	\$0
Excess	\$10,000
Premium Percentage	x 50%
Assignment Premium	\$5,000

EXHIBIT "C"

The calculation indicates an assignment premium \$5,000. Therefore, according to the calculations, we conclude an assignment premium of \$5,000 is due.

Approved/Disapproved:

  
\_\_\_\_\_  
Peter T. Young, Chairperson

SEP 21 2006

\_\_\_\_\_  
Date

cc: District Branch Files  
Central Files

**EXHIBIT "C"**